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IN THE

Supreme Court of the United States

ARCHER-DANIELS-MIDLAND COMPANY,
Petitioner,

v.

AJINOMOTO COMPANY, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Can a party acquire standing to sue for infringement of a U.S. patent by operation of foreign law, in contravention of the written assignment requirement of the federal patent statute, 35 U.S.C. § 261?

2. Can damages be awarded under the federal patent statute, 35 U.S.C. § 284, for post-trial conduct that was not the subject of trial and was not found to infringe the patent-in-suit?

LIST OF PARTIES

The names of all parties in the court whose judgment is sought to be reviewed appear in the caption of this Petition for Writ of Certiorari.

LIST PURSUANT TO RULE 29.6

Petitioner Archer-Daniels-Midland Company is a publicly held corporation. It has no parent companies.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Archer-Daniels-Midland Company ("ADM") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS AND ORDERS BELOW

The opinion of the Court of Appeals is reported at 228 F.3d 1338 and is reproduced at Appendix ("A.") 1a. The Court of Appeals' order denying panel rehearing and rehearing *en banc* is unreported and is reproduced at A. 25a. The District Court's unreported order and opinion on liability is reproduced at A. 27a. The District Court's unreported order granting in part and denying in part ADM's motion to amend the order and opinion on liability is reproduced at A. 132a. The District Court's order granting a permanent injunction is reproduced at A. 135a. The District Court's final judgment is reproduced at A. 136a.

JURISDICTION OF THIS COURT

The judgment of the Court of Appeals was entered on October 3, 2000. Petitioner filed a timely petition for panel rehearing and rehearing *en banc*. Panel rehearing and rehearing *en banc* were denied November 14, 2000. A. 25a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTES AND REGULATIONS INVOLVED

Section 281 of the Patent Act, 35 U.S.C. § 281, *Remedy for infringement of patent*, A. 137a, provides:

> A patentee shall have remedy by civil action for infringement of his patent.

Section 100(d) of the Patent Act, 35 U.S.C. § 100(d), *Definitions*, A. 138a, provides:

> The word "patentee" includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.

Section 261 of the Patent Act, 35 U.S.C. § 261, *Ownership; assignment*, A. 139a, provides in pertinent part:

> Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.
>
> A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention,

> accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

Section 284 of the Patent Act, 35 U.S.C. § 284, *Damages*, A. 141a, provides in pertinent part:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

United States Patent and Trademark Office ("PTO") Rule 54, 37 C.F.R. § 3.54, *Effect of recording*, A. 142a, provides in pertinent part:

> The recording of a document pursuant to § 3.11 is not a determination by the Office of the validity of the document or the effect that document has on the title to an application, a patent, or a registration.

STATEMENT OF THE CASE

This is a suit for patent infringement in which plaintiff Ajinomoto Company, Inc. ("Ajinomoto") (respondent in this Court) did not have standing to sue because the original patentees did not assign their title in writing to Ajinomoto or to anyone else from whom Ajinomoto claimed title. Despite the clear statutory requirement of a written assignment, and the absence in the record of such an assignment, the courts below ruled that Ajinomoto had standing by operation of the law of the former Soviet Union. In addition, Ajinomoto was awarded damages for conduct between the end of trial and the issuance sixteen months later of the order and opinion containing the District Court's findings of fact and conclusions of law, even though such conduct was not found to infringe the patent-in-suit.

A. The Patent-in-Suit.

U.S. Patent No. 4,278,765 ("'765 patent"), entitled "Method for Preparing Strains Which Produce Amino Acids," was issued in 1981 to fourteen inventors in the former Soviet Union (the "Russian inventors"). The '765 patent describes and claims the genetic modification of bacteria to block both the regulatory mechanism that limits bacterial production of amino acid and the degradation pathway for the excess amino acid that is produced, leading to bacterial overproduction of the amino acid. A. 29a-30a, 43a-46a. The process described in the '765 patent provides one method of modifying bacteria to produce commercial quantities of the amino acid threonine.

B. The Standing Issue.

Fourteen years after the '765 patent issued to the Russian inventors, Ajinomoto filed a patent infringement suit against ADM in the United States District Court for the District of Delaware pursuant to 28 U.S.C. § 1338(a). Ajinomoto alleged that ADM had infringed the '765 patent by importing into and using in the United States genetically engineered bacteria made by the patented process for use in ADM's commercial production of threonine. Ajinomoto sought an injunction against continued infringement, damages for past infringement, increased and trebled damages for willful infringement, attorneys' fees and costs.

Ajinomoto claimed standing as a successor in title to the Russian inventors. Both in the District Court and in the Court of Appeals, ADM contested Ajinomoto's standing.[1] Although the record showed that the '765 patent was issued to the Russian inventors, A. 71a, Ajinomoto never offered any evidence that the inventors had transferred their title to the

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[1] ADM denied in its answer to the complaint that Ajinomoto was the owner of the '765 patent, and refused to stipulate to Ajinomoto's purported ownership in the pretrial statement of admitted facts. A. 87a.

patent by a written assignment as required by 35 U.S.C. § 261.

While Ajinomoto listed a purported assignment from the Russian inventors to Ajinomoto as a proposed trial exhibit (to which ADM responded before trial that it would object to admission of this exhibit on authenticity and hearsay grounds, among others), Ajinomoto thereafter chose not to offer it into evidence. The purported assignment, dated October 18, 1991 and recorded in the PTO on May 29, 1992, lacked the certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths that would have been *prima facie* evidence that the assignment had in fact been executed. *See* 35 U.S.C. § 261. Ajinomoto's decision not to offer the purported inventors' assignment into evidence was not surprising, given that signatures of the Russian inventors on declarations submitted to the PTO during prosecution of the '765 patent were falsified. A. 116a.

Rather than establish the proposition that it had received a written assignment directly from the inventors, at trial Ajinomoto instead claimed that it had standing to sue as an assignee of Genetika (the Soviet research institute that employed the inventors at the time of the invention) and as an exclusive licensee of Licensintorg (a Soviet government licensing agency which supposedly had authority from Genetika to negotiate licenses on Genetika's behalf) and Licensintorg's successor Medexport. Ajinomoto offered into evidence a May 1991 assignment to Ajinomoto from Genetika and an earlier license to Ajinomoto from Licensintorg (as amended by Medexport). A. 71a-73a.

Because Ajinomoto did not submit any evidence at trial that *the inventors* had assigned their title to the patent-in-suit to anyone, in writing or otherwise, after trial ADM renewed its challenge to Ajinomoto's assertion of standing. Ajinomoto had acknowledged in a 1994 memorandum to Genetika that "there remains a succession certification

procedure problem from Licensintorg." A. 73a. Nonetheless, Ajinomoto rested its claim to standing on the license from Licensintorg, the assignment from Genetika, and the purported operation of Soviet law.

In its order and opinion on liability issued some sixteen months after trial, the District Court held that Ajinomoto had standing to sue on the '765 patent. A. 87a-89a. The court recognized that there was no evidence in the record of a written assignment from the Russian inventors, as is required by the Patent Act to confer standing to sue on a purported successor in title. The court nonetheless found that title automatically transferred from the inventors to the Soviet government, without a writing, by operation of Soviet law. On this basis, the court concluded that title to the patent had passed from the inventors to Ajinomoto via Genetika (which the court treated as possessing the same title as the Soviet government), and that Ajinomoto therefore had standing to bring the infringement suit as a Genetika assignee. *Id.*

On appeal, the Court of Appeals embraced the District Court's use of Soviet law, in place of the Patent Act, to determine that Ajinomoto had standing to sue on the '765 patent. A. 5a-6a. The Court of Appeals concluded that title to the patent transferred automatically from the inventors to the Soviet government by operation of Soviet law because the inventors made the invention in the course of their employment at Genetika, a Soviet institution. According to the Court of Appeals, title to the patent then passed from the Soviet State to Ajinomoto, via Licensintorg or Genetika as agencies of the Soviet State. The Court of Appeals thus concluded, on the basis of this purported operation of Soviet law, that Ajinomoto had established a sufficient *prima facie* case of standing. It also stated that ADM had failed to carry its burden of challenging such alleged *prima facie* evidence

of standing by showing "any flaw or illegality *under Soviet law*." A. 6a (emphasis added).[2]

C. The Damage Award.

On December 18, 1998—more than two years after the November 13, 1996 close of the trial—the District Court entered a final damage award of over $24 million, based on application of a royalty rate of $1.23 per kilogram to *all* threonine sold by ADM until March 27, 1998. A. 136a. The award included damages of almost $10 million for over fifteen months of post-trial threonine production by strains that had been subject to a protective order, were not the subject of trial, and had never been found to infringe.

During discovery, ADM moved for a protective order prohibiting Ajinomoto from taking discovery on ADM's current threonine research and development activities, which involved the development of new, plasmidless bacterial strains to produce threonine. A week before trial, the court granted the motion.[3] On the same day, the court issued a

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[2] The Court of Appeals also seemed to shift the burden to ADM to "impugn the *prima facie* effectiveness" of the purported assignment from the inventors to Ajinomoto, which was never offered into evidence, A. 7a, and to whose admission ADM had objected before trial. The Court of Appeals so stated even though the purported assignment lacked the certificate of acknowledgment that would have been *prima facie* evidence of execution, 35 U.S.C. § 261, and even though recordation at the PTO does not establish an assignment's authenticity or validity. *See* 37 C.F.R. § 3.54. The recorded assignment that was not in evidence was of no moment, however. Ajinomoto did not predicate its claim of standing on that assignment. Nor did the District Court or the Court of Appeals ultimately rely upon the purported assignment from the inventors. Obviously, standing could not be established by a document that was never offered or accepted into evidence.

[3] Ajinomoto had opposed ADM's motion, arguing that even research and development could be an infringement, that plasmidless strains would

claim construction holding that the claims of the '765 patent require the use of plasmids. Thus, the week before trial the District Court excluded from the case the plasmidless strains ADM was developing for future threonine production.

Trial took place from October 28, 1996 to November 13, 1996. At trial, the evidence was that ADM had used three different bacterial strains to commercially manufacture threonine to the "present," one of which was being used "currently." Sixteen months later, on March 13, 1998, the District Court issued an order and opinion holding ADM liable for infringing the '765 patent by importing and using these three bacterial strains, and ordering that judgment on liability and an injunction be entered on behalf of Ajinomoto, with further briefing on damages. A. 27a. Notwithstanding that the trial record had closed on November 13, 1996, the court found that ADM had used the infringing strains "until the present"—i.e., until the March 13, 1998 date of the court's order and opinion. A. 85a. On the basis of this unsupported finding, the court ordered ADM to pay damages to Ajinomoto on all threonine sold by ADM from May 1993, the date of the first infringing sale, onwards. A. 131a.[4]

On March 27, 1998, ADM timely moved to correct the District Court's order and opinion to limit damages to threonine made from the three strains that had been the subject of the trial and had been found to infringe the '765 patent. In particular, ADM sought to exclude from the base for the reasonable-royalty calculation threonine produced after trial by a fourth plasmidless strain.

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infringe the '765 patent, and that ADM's research and development strains therefore should be part of the case.

[4] The court denied Ajinomoto's requests for increased and trebled damages for willful infringement or attorneys' fees, finding that Ajinomoto had failed to show willful infringement, bad faith or other inequitable conduct on the part of ADM. A. 128a-129a.

On October 7, 1998, the District Court issued an order granting in part and denying in part ADM's motion. The court found that after trial ended on November 13, 1996, ADM switched to a fourth bacterial strain for its commercial production of threonine—a plasmidless strain that ADM had developed independently through the experimental threonine research and development activities subject to the Court's protective order.[5] A. 132a-133a. Except for a brief period in January 1997, none of the threonine produced by ADM after trial was made using any of the three strains that had been the subject of the trial and were found to infringe. A. 133a.

Nevertheless, the District Court refused to limit the damage award to sales of threonine produced using the three bacterial strains that it had determined had been made by the patented process. Although the District Court enjoined ADM's use of only the three strains adjudged to infringe, A. 135a, the court's October 7, 1998 order required ADM to pay royalties on all threonine sold after the close of the trial record—*whether or not made from infringing strains*—until the date of ADM's motion to amend which first notified the court that ADM had ceased infringing activity after trial. A. 134a. The court did not identify the source of ADM's purported ongoing obligation to disclose to the court, after the close of trial, any change in its use of bacterial strains to manufacture threonine.

The Court of Appeals affirmed the District Court's damage award in nearly all respects, including the award of damages on all threonine—both infringing and noninfringing—sold up

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[5] ADM first used the fourth strain in its commercial production facility for a weeklong scale-up test that began the week after the Court's protective order and claim construction were issued. A. 132a. The District Court explicitly rejected Ajinomoto's contention that ADM had provided false testimony at trial about which strains were being used in commercial production. A. 133a.

to March 13, 1998, the date of the District Court's initial order. Reviewing the damage award only for abuse of discretion in the partial denial of the motion to amend, the Court of Appeals held that the District Court had not abused its discretion because "the evidence before the court *at the time the judgment was rendered* fully supported the court's assessment of damages." A. 22a (emphasis added). The Court of Appeals did not address the fact that the record before the District Court had closed in November 1996. Nor did it address the District Court's finding that over fifteen months of post-trial, prejudgment damages were being awarded for threonine made by a bacterial strain *that had not been found to infringe* and that had been excluded from discovery by the District Court's protective order. The Court of Appeals reversed the award of damages only on threonine sold in the two weeks between the District Court's March 13, 1998 order and ADM's March 27, 1998 motion, holding that the award of post-judgment damages would require further proceedings. A. 23a.

REASONS FOR GRANTING THE PETITION

This case is of substantial public importance in two basic respects. First, if allowed to stand, the Court of Appeals' decision substituting foreign law for the statutory requirement of a written assignment opens the door to patent infringement actions brought by plaintiffs who fail to satisfy a Congressionally-imposed prerequisite for standing and who would not—until this decision—have been allowed to maintain their actions at all. Second, the Court of Appeals' decision awards damages based on noninfringing conduct in violation of the Patent Act and this Court's precedents, and improperly expands the abuse-of-discretion standard of review to allow a court of appeals to ignore a trial court's unchallenged findings of fact.

I. THIS CASE SHOULD BE REVIEWED TO CLARIFY THAT THE STANDING REQUIREMENT OF THE FEDERAL PATENT STATUTE CANNOT BE SUPPLANTED BY OPERATION OF FOREIGN LAW.

The Court of Appeals' decision used the purported operation of foreign law to override the requirements for standing specifically established by Congress. The ruling below is in conflict with decisions of this Court holding that no rights can be acquired in a U.S. patent except in the manner prescribed by the federal patent statute.

Review should be granted to address the important question of federal statutory interpretation presented by this case. The Federal Circuit has jurisdiction over all appeals from federal district courts in patent cases. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807 (1988). Particularly given the enormous number of U.S. patents granted to residents of foreign countries, the Court of Appeals' decision to substitute the law of a patentee's home country for an express statutory mandate setting forth a uniform standard under U.S. law has broad ramifications that warrant a grant of certiorari.[6]

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[6] Because the Federal Circuit is the only federal court of appeals with appellate jurisdiction in patent cases, no conflict with a decision of one of the regional courts of appeals can arise regarding the Federal Circuit's interpretation of the federal patent statute. Nevertheless, certiorari may be warranted where the Federal Circuit's decision on a matter within its exclusive jurisdiction presents an important question of federal statutory interpretation. *See, e.g., Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (certiorari granted to resolve important question whether microorganisms may be patented under Patent Act).

A. The Court of Appeals Improperly Departed from the Standing Requirement of the Federal Patent Statute.

This Court has long affirmed "the peculiar character of patent property" as "the creature of statute law," particularly when it comes to the "transfer of rights under the patent law." *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (holding that standing to sue must be determined by reference to the Patent Act). As the Court declared a century and a half ago, "[T]he monopoly granted to the patentee [under the patent statute] . . . . is created by the act of Congress; and *no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.*" *Gayler v. Wilder*, 51 U.S. 477, 494 (1850) (emphasis added).

The Patent Act provides that only the patentee has standing to sue on a U.S. patent. 35 U.S.C. § 281. The Act defines "patentee" to include "not only the patentee to whom the patent was issued but also the successors in title to the patentee." 35 U.S.C. § 100(d). Thus, no one besides the original patentees and their successors in title can sue.

A transfer of title to a U.S. patent—also called an assignment—is governed by 35 U.S.C. § 261, which states: "Applications for patent, patents, or any interest therein, shall be assignable in law *by an instrument in writing*." (Emphasis added). There is thus an express statutory mandate that an assignment must be in writing. The requirement that a plaintiff who asserts standing to sue on a U.S. patent by virtue of an assignment must show a *written* assignment is a requirement that Congress has imposed for nearly two centuries.[7]

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[7] Even before the current Patent Act, which was promulgated in 1952, the three preceding enactments of the federal patent statute—the earliest

A number of this Court's decisions have recited the Patent Act's requirement that a patent assignment must be in writing. *See, e.g., Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891) ("[t]he patentee or his assigns may, by instrument *in writing*, assign, grant, and convey" title to a patent) (emphasis added); *Crown Die & Tool*, 261 U.S. at 34 ("Under the patent law a patentee may assign *by an instrument in writing* his patent or any interest therein.") (emphasis added) (citation omitted). Until the decision below, it thus seemed indisputable, under the principle that "no rights can be acquired in [a U.S. patent] unless authorized by statute, and in the manner the statute prescribes," *Gayler*, 51 U.S. at 494, that only an assignment in writing could convey title from the patentee sufficient to confer standing to sue on another. *See, e.g., United States v. Solomon*, 825 F.2d 1292, 1296 (9th Cir. 1987) ("[I]n the context of an assignment of a patent, they can agree verbally until the cows come home, and that patent isn't assigned until there's a writing.") (quotation omitted); 5 Ernest Bainbridge Lipscomb III, *Lipscomb's Walker on Patents* § 19:7 (3d ed. 1986) ("An assignment of a patent must be in writing to fulfill the requirements of the federal statute . . . .").

Yet the Court of Appeals here upheld the District Court's finding of standing despite the absence of any written assignment from the inventors. The decision to accord standing to a plaintiff who fails to satisfy an express standing requirement under the Patent Act directly conflicts with the principle established in this Court's decisions in *Gayler*,

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dating back to 1836—all contained the same express requirement that an assignment must be made by an "instrument in writing." *See* Rev. Stat. U.S. § 4898 (U.S. Comp. St. 1901, at 3387) ("Every patent or any interest therein shall be assignable by law, by an instrument in writing."); Act of July 8, 1870, ch. 230, § 36, 16 Stat. 203 (1870) ("every patent or any interest therein shall be assignable by law, by an instrument in writing"); Act of July 4, 1836, ch. 357, § 11, 5 Stat. 117, 121 (1836) ("every patent shall be assignable in law . . . by any instrument in writing").

Waterman, and *Crown Die & Tool*, among others, that the provisions of the Patent Act define and limit the scope and transfer of all patent rights—including standing to sue. The Court of Appeals' holding is contrary also to the general principle that where Congress creates a statutory cause of action, a court cannot as a matter of judicial discretion expand Congress's definition of the class of persons who can bring such actions. *Cf. Bread Political Action Comm. v. Fed. Election Comm.*, 455 U.S. 577, 584 (1982) (plaintiffs who fall outside the specific categories of persons enumerated by statute do not have standing to bring expedited action).

The Court of Appeals' decision to discard the statutory writing requirement under the Patent Act threatens great harm. The necessity of a writing to establish transfer of title is a venerable requirement for all types of property. It provides certainty both to the parties to the writing and to third parties. In the patent context, the requirement that assignments be in writing serves the public interest by promoting certainty of title in inventions. Greater certainty of title, in turn, enables would-be users of the invention more readily to obtain licenses from the true patent owner, discourages false claims of right from other parties asserting title to the patent, and protects alleged infringers from successive actions by parties claiming competing rights of recovery. This Court has noted the importance of such concerns in other decisions addressing limits on standing to sue under the Patent Act. *See, e.g.*, *Gayler*, 51 U.S. at 494-95 (refusing to extend right to sue to mere licensee who could not show assignment of all rights within specified territory, because such an expansion of the class of persons entitled to sue on a given patent "would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one").

This case is a good example of why the absence of a written assignment from the original patentees should not be disregarded. The '765 patent issued in 1981 to the Russian inventors. Fourteen years later, Ajinomoto filed suit claiming to be a successor in title to the Russian inventors. As the District Court found, signatures of the inventors were falsified on declarations submitted to the PTO for the '765 patent. A. 116a. The Russian inventors were beyond the reach of U.S. courts and never testified at trial, and all but two of the fourteen refused to appear for depositions. A. 36a n.11. There were multiple licenses of different vintages from multiple parties (none from the inventors), all of which supposedly conveyed interests in the '765 patent.

It is particularly troubling that the purported assignment from the inventors to Ajinomoto post-dated the supposed transfer from the inventors to the Soviet State by operation of Soviet law, through which the courts below found that Ajinomoto had standing. This suggests the inventors have assigned the same U.S. patent rights to at least two different parties (the Soviet Union and Ajinomoto). There is no reason to believe that ADM would not still have been subject to suit by the inventors—who could easily have claimed that title to the '765 patent had never been transferred by a written assignment—or by parties unknown who could claim to have received title from the inventors.

B. The Court of Appeals Used Foreign Law To Override the Federal Patent Statute in Contravention of This Court's Precedents.

This case warrants review not only because the courts below ignored the clear mandate of the Patent Act and the decisions of this Court in conferring standing on respondent without a written assignment, but also because they did so by finding that the '765 patent had been assigned by operation of

foreign law. This Court should clarify that foreign law cannot override the standing requirements of the Patent Act.

This Court has stated that foreign law has no place in the determination of rights under the Patent Act. *See Brown v. Duchesne*, 60 U.S. 183, 198 (1856) (rejecting reference to English law with observation that "*we must interpret our patent laws with reference to our own Constitution and laws and judicial decisions*") (emphasis added); *Boesch v. Graff*, 133 U.S. 697, 703 (1890) (rejecting argument that German law could authorize alleged infringement of U.S. patent, because "[t]he sale of articles in the United States under a United States patent *cannot be controlled by foreign laws*") (emphasis added). Yet the Court of Appeals here affirmed the District Court's determination that title to the '765 patent, issued under the federal patent statute, passed automatically by operation of Soviet law from the patentees to the Soviet State in contravention of the requirements of 35 U.S.C. § 261, and from the Soviet State to whatever arm of the State (Licensintorg, Medexport, Genetika) chose to license Ajinomoto.

The Court of Appeals' decision in this case replaces the clear and specific requirements of 35 U.S.C. § 261 with a regime permitting open-ended application of the law of any foreign country. Records of the PTO show that it has granted U.S. patents in the last 24 years *to nearly one million applicants from 156 foreign countries*, from Albania and Algeria to Iceland, Myanmar, Saudi Arabia, Uruguay, and Zimbabwe.[8] In the last ten years, an average of 44% of all

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[8] United States Patent and Trademark Office, Information Products Division, Patent Counts by Country/State and Year, All Patents, All Types, January 1, 1977–June 30, 2000.

U.S. patents have been granted to foreign nationals.[9] These data show that tens of thousands of foreign nationals successfully obtain U.S. patents every year. If title to a U.S. patent may be transferred by operation of the law of any patentee's country of residence, then foreign law could be applied to determine title to U.S. patents in an enormous number of cases. Parties would not have fair notice of who owned U.S. patents. Courts faced with questions of title to patents would be required to study and decipher the patent and property laws of virtually any country in the world from which inventors and initial patentees or their subsequent assignees hail.

This Court has noted before the problem of the Federal Circuit's application of foreign law to a federal statutory scheme. *See United States v. Goodyear Tire & Rubber Co.*, 493 U.S. 132, 145 (1989) (holding that term in federal tax code must be interpreted under domestic, not foreign, tax law principles because, *inter alia*, "a contrary interpretation would leave an important statutory goal . . . to the varying tax policies of foreign tax authorities"). Here, the Court of Appeals' decision sanctioning the use of foreign law to supplant the Patent Act's written assignment requirement not only undermines Congressionally-imposed standing requirements in patent cases—it also opens the door to use of foreign law to determine other important issues under the federal patent statute. The potential practical difficulties of applying unfamiliar and often conflicting foreign law in a U.S. patent case are self-evident and have been recognized by lower courts before. *See, e.g., In re Dulberg*, 472 F.2d 1394, 1398 (C.C.P.A. 1973) (refusing to consider application of foreign law to patentability question in U.S. patent case because "it is notoriously well known that the standards of patentability

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[9] *Id.* This percentage has not varied significantly from year to year, fluctuating only between 43% and 45%. *Id.*

vary from country to country"); *In re Larsen*, 292 F.2d 531, 533 (C.C.P.A. 1961) ("We have repeatedly held that, *in view of the differences between foreign patent laws and those of the United States*, the allowance of patent claims in foreign countries is not pertinent to the question whether similar claims should be allowed here.") (emphasis added); *Griffin v. Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283, 1287 (E.D. Pa. 1978) (rejecting argument that Italian patent law may immunize otherwise infringing sales of article patented in U.S. and noting difficulties inherent in determining "the niceties of Italian patent law" and in "comparing the plaintiff's foreign and American patent rights").

In sum, allowing the use of foreign law to circumvent the requirements of the federal patent statute and control the assignment of U.S. patents undermines the federal patent system, whose creation was entrusted to Congress by the Constitution; is unfair to other parties who have properly established their U.S. patent rights in accordance with the federal patent statute; and will impose an unmanageable burden on lower courts forced to struggle with the difficulty of finding and applying foreign patent law and reconciling the many differences between foreign law and U.S. law.

II. THIS CASE SHOULD ALSO BE REVIEWED TO CLARIFY THAT AN AWARD OF DAMAGES FOR NONINFRINGING CONDUCT CONTRAVENES 35 U.S.C. § 284 AND THIS COURT'S PRECEDENTS.

The Court of Appeals below affirmed an award of compensatory damages for conduct that was not found to infringe. It did so by finding that the District Court had not abused its discretion in making the award, notwithstanding that the District Court determined that the award included damages for conduct never found to infringe the patent-in-suit and did not exercise the discretion ascribed to it. This Court

should grant certiorari to clarify that damages cannot be awarded under the federal patent statute for noninfringing conduct and to exercise its supervisory powers over this extreme departure from the accepted and usual course of judicial proceedings.

A. An Award of Damages for Noninfringing Conduct Conflicts with the Federal Patent Statute and This Court's Precedents.

The damages provision of the Patent Act provides: "Upon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement*, but in no event less than a reasonable royalty *for the use made of the invention* by the infringer, together with interest and costs as fixed by the court." 35 U.S.C. § 284 (emphases added).[10] On its face, Section 284 clearly limits any recovery to compensation *for infringement*—that is, unauthorized use made of the invention. *See Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654-55 (1983) (Congress's "overriding purpose" in enacting § 284 was to afford a patentee whose patent has been infringed "full compensation for any damages he suffered *as a result of the infringement*") (emphasis added) (quotation omitted).

This Court has long recognized that damage awards in patent cases cannot exceed the express terms of the patent statute. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 US. 476, 504-05 (1964) (rejecting assumption that patentee could recover not only its own damages for the infringement but also the infringer's profits, because "that

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[10] The possibility of trebled damages for willful infringement has no bearing upon, and cannot justify, the scope of the damage award in this case. The Court of Appeals affirmed the District Court's holding concluding that the infringement was not willful and denying Ajinomoto's request for attorneys' fees under 35 U.S.C. § 285. A. 24a.

assumption ignores the fact—clear from the language, the legislative history, and the prior law—that the statute allows the award of a reasonable royalty, or of any other recovery, only if such amount constitutes 'damages' for the infringement"); *Birdsall v. Coolidge*, 93 U.S. 64, 71 (1876) (reversing award that exceeded "[a]ctual damage" limit of 1870 statute, because "whenever the royalty plainly exceeds the rule prescribed by the Patent Act, the finding should be reduced to the statute rule"). In contravention of the limits of 35 U.S.C. § 284 and the principle enunciated by this Court in *Aro Manufacturing Company* and *Birdsall*, the lower courts here awarded damages that were not limited to compensation for use of the only three bacterial strains found to infringe the patent-in-suit.

As the District Court found before issuing its final judgment, the damage award included damages on threonine produced after trial using a fourth strain that was not the subject of the trial and was never found to infringe.[11] The fourth strain was specifically excluded from the trial of this case by the District Court's protective order, which the court issued the same day that it issued a construction of the claims of the '765 patent which on its face would not reach this fourth strain. The final damage award of over $24 million therefore included nearly $10 million in damages for conduct that has never been proven to infringe.[12]

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[11] That the fourth strain had not been adjudged to infringe the '765 patent is further demonstrated by the permanent injunction, which prohibited ADM from using only the three bacterial strains that had been the subject of trial. A. 135a.

[12] Whether or not ADM's plasmidless strains could be found, after a trial on the merits, to infringe the '765 patent, the undisputed fact is that there was no such determination and the fourth strain has never been the subject of trial and a finding of infringement. It flies in the face of this Court's jurisprudence and fundamental fairness to allow the recovery of

The award in this case exceeds the clear bounds of the Patent Act in contravention of this Court's jurisprudence and undermines the well-grounded public policy of limiting the patent monopoly and encouraging innovation. Because the grant of a patent monopoly reflects a tradeoff between the goal of promoting free competition and the goal of rewarding innovation, this Court has recognized that the scope of a patent monopoly must be narrowly construed and strictly confined to the precise terms of the patent's claims. *See, e.g., Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944). Here, the monopoly grant of the '765 patent was expanded to reach conduct that was never determined to infringe (and which the District Court's claim construction would indicate does not infringe). ADM developed a new, plasmidless strain of bacteria through its own research and development. This type of "[d]esigning around is the stuff of which competition is made and is supposed to benefit the consumer." *Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1126 (Fed. Cir. 1996) (quotation omitted) (alteration in original). By penalizing rather than rewarding ADM for designing around the '765 patent to create a noninfringing alternative, the Court of Appeals' decision affirming the damage award runs counter to the public policy choices embodied in the federal patent statute and recognized by this Court's prior decisions.

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damages for conduct that has not been the subject of trial. *See Nelson v. Adams USA, Inc.*, 529 U.S. 460, 466-68 (2000). The arbitrariness of the award affirmed by the Court of Appeals is highlighted by the fact that the total amount of damages turned not on the amount of infringement, but on the time that the District Court took to issue its initial order and opinion containing its first findings of fact and conclusions of law. ADM was penalized approximately $625,000 for every post-trial month the District Court took to complete its work.

B. The Court Should Exercise Its Supervisory Power Because the Court of Appeals Used the Abuse-of-Discretion Standard To Ignore the Trial Court's Factual Findings and Affirm an Exercise of Discretion that Did Not Occur.

The Court of Appeals affirmed the damage award as not an abuse of the District Court's discretion. A. 23a. But the "abuse-of-discretion" standard does not provide the Court of Appeals latitude to ignore the District Court's unchallenged factual finding that the damage award included damages based on product that has not been proven to infringe the '765 patent and to affirm a nonexistent exercise of discretion. This Court should exercise its supervisory power to correct this extraordinary departure from the accepted and usual course of judicial proceedings.

The District Court justified its award of damages for noninfringing conduct by pointing out that ADM first came forward to inform the court that ADM had begun using a new, noninfringing strain to produce threonine after the District Court's March 13, 1998 order and opinion, some sixteen months after trial. A. 133a-134a. But ADM was never on notice that it had a duty to so inform the court, and the District Court never identified the source of any such duty, let alone any basis for imposing a $10 million penalty for its violation. The Court of Appeals correctly rejected this basis for awarding damages when it modified the award to cut off damages as of the date of the District Court's initial order and opinion on liability issued on March 13, 1998, rather than affirm its extension to March 27, 1998 based on the District Court's "notice" rationale. A. 23a.

While the Court of Appeals slightly reduced the judgment by eliminating damages on threonine sold after the District Court's March 13, 1998 order and opinion from the award, it affirmed the award on over fifteen months of threonine made after trial from the fourth strain. The Court of Appeals sought

to rationalize this result by asserting that "the evidence before the court *at the time the judgment was rendered* fully supported the court's assessment of damages."[13] A. 22a (emphasis added). It then stated that the District Court had the discretion not to reopen the March 13, 1998 order and opinion (which the Court of Appeals treated as the final judgment).[14] A. 23a.

Contrary to the Court of Appeals' characterization, the District Court did not exercise discretion not to "reopen" the March 13, 1998 order and opinion. In fact, the District Court amended that order and opinion on October 7, 1998, based on ADM's March 27, 1998 motion. A. 134a. It made an additional factual finding that ADM had stopped using the infringing strains at the end of trial (except for a brief period). *Id.* It further "reopened" the March 13, 1998 order and opinion to modify the award to include damages for all threonine sold until March 27, 1998 (whether or not made by strains found to infringe). *Id.* The final judgment was issued thereafter on December 18, 1998. A. 136a. Even if the District Court had discretion not to "reopen" its March 13,

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[13] This assertion is incorrect. At the time of the District Court's March 13, 1998 order and opinion, the only evidence in the record related to the three bacterial strains ADM used in commercial production up through trial. Thus, as of March 13, 1998, there was no evidence before the court about any bacterial strains that ADM was using to produce threonine *after* trial. The District Court recognized this difference in its order partially granting ADM's motion to amend the March 13, 1998 order and opinion, A. 134a, and in limiting its injunction to the three strains that were the subject of trial and were found to infringe. A. 135a.

[14] While the March 13, 1998 order and opinion directed entry of judgment on liability and made findings on damages, it was not a final judgment under Fed. R. Civ. P. 58. The court requested further filings on damages, A. 27a, and later amended its findings of fact and damage award, A. 134a, before issuing its final judgment on December 18, 1998. A. 136a.

1998 order and opinion, it in fact did reopen it. The court changed its factual findings and modified its award. For the Court of Appeals to ignore the October 7, 1998 findings by the trier of fact and affirm under the abuse-of-discretion standard a purported exercise of discretion *that was never made* is an inappropriate application of that standard of review and upsets the proper allocation of fact-finding powers between the trial court and the court of appeals. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 573-76 (1985).

Thus, not only does this case raise an important federal question about the permissible scope of damage awards under the federal patent statute, but it is also one of the rare cases where there has been a sufficiently extraordinary deviation from judicial procedure to warrant the exercise of this Court's supervisory power.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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